

Message Text

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PAGE 01 STATE 089026
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 CA-01
SS-15 NSCE-00 INRE-00 SSO-00 /052 R

DRAFTED BY EB/OA:MHSTYLES:VLV
APPROVED BY EB/TRA:JRATWOOD
EUR/CE - RCASAGRANDE
EUR/CE - GCHESTER
CAB - DFARMER (SUB)
-----024561 062259Z /21

O R 062243Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY BONN IMMEDIATE
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
USMISSION USBERLIN
AMEMBASSY BERLIN

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E.O. 11652: N/A

TAGS: EAIR, WB, GW

SUBJECT: PAN AM AIR FARES

REF: BONN 6231; USBERLIN 777; STATE 86945; BONN 5982

1. PAN AM ADVISES US IT HAS RECEIVED TELEX FROM REHM
DEMANDING THAT PAN AM IMMEDIATELY CEASE (A) SELLING APEX
FARE FOR ON-LINE CONNECTING TRAFFIC BETWEEN US AND FRG,
AND (B) PROMOTING AND SELLING BUDGET FARE ON ANY FLIGHTS
DEPARTING FRG. TELEX WARNS THAT PAN AM WILL BE FINED
10,000 DM FOR EACH INCIDENT.

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2. RESTRICTION AGAINST SELLING APEX FOR ON-LINE CONNECTING
TRAFFIC PUTS PAN AM AT SERIOUS COMPETITIVE DISADVANTAGE IN
MARKETS WHERE LUFTHANSA PROVIDES DIRECT SERVICE BUT PAN AM
DOES NOT (E.G., LOS ANGELES, CHICAGO AND BOSTON TO
FRANKFURT). MOREOVER, RESTRICTION AGAINST OFFERING FARE
FOR ON-LINE CONNECTING TRAFFIC APPEARS TO BE A LAST-MINUTE

ELABORATION AND EXPANSION OF ORIGINAL GERMAN DECISION ON
PAN AM AIR FARES.

3. SECOND RESTRICTION, IF READ LITERALLY, WOULD MEAN PAN AM
COULD NOT OFFER BUDGET FARE FOR ANY BERLIN-US TRAFFIC
BECAUSE ALL SUCH TRAFFIC IS CARRIED VIA FRG POINTS.

4. DEP ASST SECY ATWOOD HAS PROTESTED THESE FRG ORDERS
TO GERMAN EMBASSY (KARL NEUMANN) AND ASKED FOR PROMPT
CLARIFICATION. HE NOTED THAT US HAD ASKED FOR CONSULTA-
TIONS ON BUDGET FARE FOR APRIL 17 AND THAT, IF IN INTER-
VENING TEN DAYS, FRG TOOK ACTION AGAINST PAN AM PREVENTING
IT FROM COMPETING WITH LUFTHANSA EVEN ON APEX FARE,
SERIOUS CONSEQUENCES COULD FOLLOW JEOPARDIZING APRIL 17
TALKS. MOREOVER, WE OBJECTED STRONGLY TO ANY ATTEMPT BY
FRG TO CONTROL THROUGH AIR FARES, PARTICULARLY IN RELATION
TO BERLIN-US BUDGET FARES. NEUMANN WAS AWARE OF REHM
TELEX, BELIEVED IT WAS INTENDED TO PREVENT ON-LINE
CONNECTING APEX FARE, BUT WAS UNCERTAIN OF INTENTION RE
BERLIN-US BUDGET FARE.

5. WE WOULD REGARD ANY ATTEMPT BY FRG TO EXERCISE
DECISIONAL RIGHTS WITH RESPECT BERLIN AIR FARES AS A
SERIOUS MATTER. IN THIS CONNECTION, WE ASSUME THAT EMBASSY
ATTEMPT TO SEEK "INFORMAL AGREEMENT" WITH FRG FOREIGN
OFFICE RE PAN AM'S US-BERLIN APEX FARES (PARA 2 OF BONN'S
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6231) WILL BE DONE IN A MANNER WHICH DOES NOT RECOGNIZE
ANY DECISIONAL FRG RIGHT. RE PAN AM BEING FINED BY
ATTACHES FOR NOT SEEKING PRIOR APPROVAL OF BUDGET FARE,
DEPT BELIEVES THIS IS AN OVER-REACTION TO THE SITUATION.
IT WOULD MOREOVER BE INCONGRUOUS FOR US TO SUPPORT FINING
AN AIRLINE IN BERLIN, WHEN US AVIATION POLICY, ENDORSED
PERSONALLY BY PRESIDENT, ENCOURAGES AIRLINES TO OFFER LOW
AIR FARES. ACCORDINGLY, US ATTACHE SHOULD DISCOURAGE
PURSUIT OF A FINE AND SEEK FURTHER INSTRUCTIONS IF MATTER
IS NEVERTHELESS PURSUED BY OTHER ATTACHES. VANCE

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Message Attributes

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